



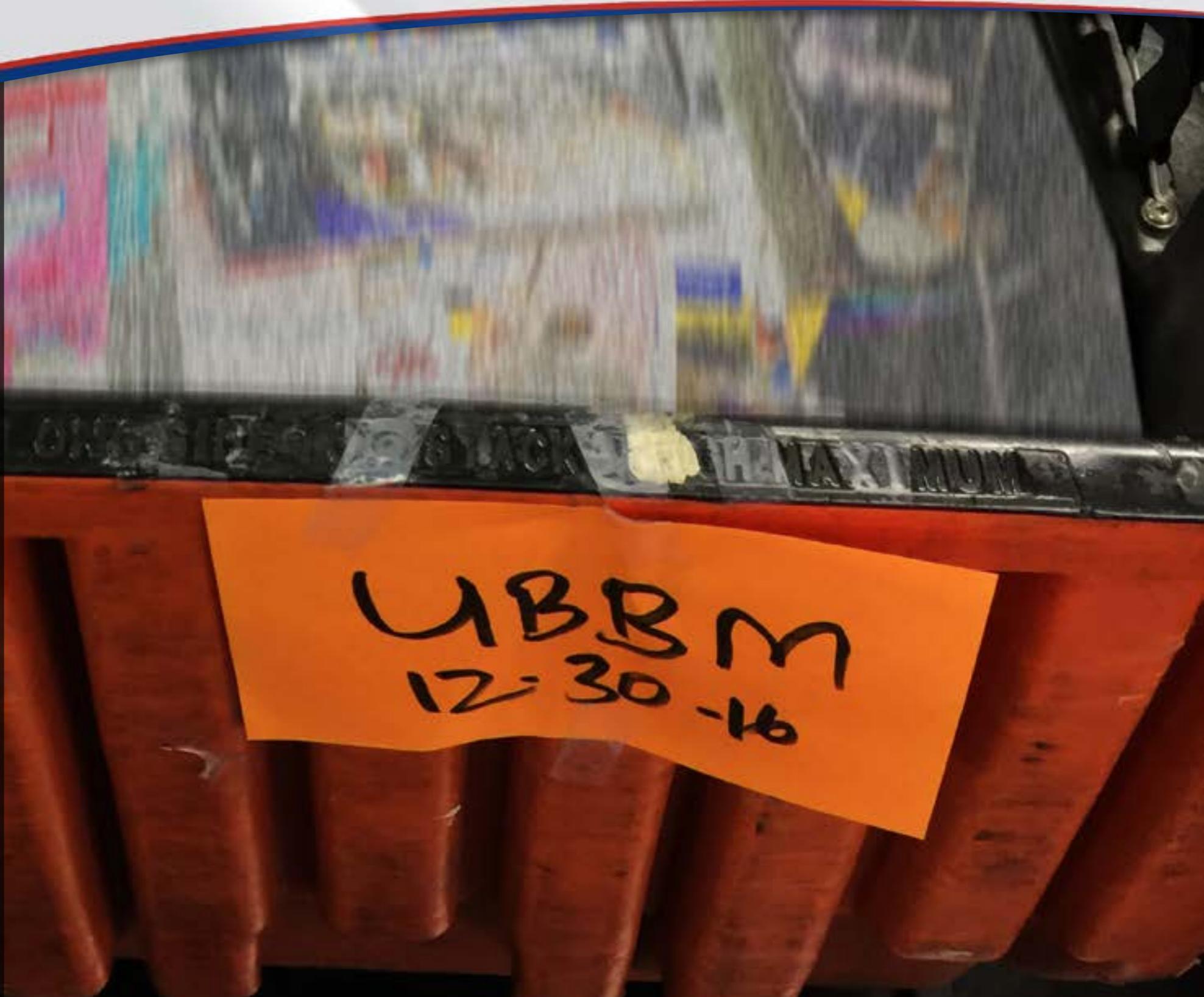
**OFFICE OF
INSPECTOR GENERAL**
UNITED STATES POSTAL SERVICE

**Undeliverable
Bulk Business
Mail at the
Margaret L. Sellers
Processing and
Distribution Center**

Audit Report

Report Number
NO-AR-17-008

May 1, 2017

A photograph of a mail sorting machine. The machine has a red metal frame and a black conveyor belt. An orange label is attached to the machine with the handwritten text "U B B M" on the first line, "12-30" on the second line, and "-16" on the third line. The background shows a blurred view of the mail sorting process with various colored mail pieces.

U B B M
12-30
-16



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Highlights

***UBBM at the Margaret L. Sellers
P&DC was not processed
in accordance with
Postal Service policy.***

Background

Undeliverable bulk business mail (UBBM) is mail the U.S. Postal Service cannot deliver because of an expired change of address; or an incorrect incomplete, or illegible address. By agreement, the Postal Service does not return UBBM to the business mailer, but recycles it. UBBM includes mail types such as flyers, newsletters, circulars, advertising, bulletins, and catalogs.

The Postal Service designed its Electronic Mail Improvement Reporting (eMIR) system to report mail quality issues such as UBBM and improve customer service for the mailer and the Postal Service. Use of the eMIR system should help reduce mailer production and postage costs while reducing the Postal Service's handling costs. The eMIR system reports go to the Business Service Network or the business mail entry unit at the processing facility for resolution of mail quality issues that can be solved for the mailer and the Postal Service.

From fiscal year (FY) 2014 to February 8, 2017, Postal Service personnel reported almost 86,000 mail quality issues in the eMIR system nationally and coded about 31,000, or 36 percent, as resolved.

This report responds to a request from U.S. Representative Scott Peters of the 52nd Congressional District of CA to review how employees at the Margaret L. Sellers Processing and Distribution Center (P&DC), San Diego, CA, process UBBM.

Our objective was to determine if UBBM at the Margaret L. Sellers P&DC is being processed in accordance with Postal Service policy.

What the OIG Found

UBBM at the Margaret L. Sellers P&DC was not processed in accordance with Postal Service policy. We found that employees were not checking UBBM for mailpieces that could be processed before it was sent for recycling because there was no standard operating procedure or supervision for the handling of UBBM at the facility. As a result, mail that should have been processed and delivered was recycled.

During our unannounced site visit in January 2017, we counted almost 2,600 pieces of mail identified as UBBM and found that 176 pieces, or about 7 percent, should have been subsequently processed and delivered instead of recycled. The first day we found 162 out of 1,610 mailpieces, or about 10 percent, that were deliverable. There were two pieces of First-Class Mail and the remaining 160 mailpieces were periodicals or Marketing Mail. The remaining 90 percent of the UBBM should have been recycled. However, they did not use the eMIR system to identify for the business mailers and the Postal Service the cause(s) of the UBBM being recycled. The primary cause we identified was missing address labels.



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We also found that employees at the Margaret L. Sellers P&DC were not entering mail processing issues into the eMIR system.

During our site visit, management discussed with employees the importance of checking UBBM containers for mail they could process rather than recycle. As a result, the amount of UBBM that should have been processed and delivered instead of recycled decreased during the last three days of our observation to about 1.4 percent, but not to zero. There is additional opportunity to improve the UBBM error rate to zero by establishing standard operating procedures and supervision requirements for handling UBBM.

We also found that employees at the Margaret L. Sellers P&DC were not entering mail processing issues into the eMIR system. In the last three fiscal years, employees entered only 10 issues into the eMIR system (none about UBBM) and entered no issues in FY 2017 through February 8, 2017.

There were no standard operating procedures or supervision to ensure that employees routinely entered mail processing quality issues into the eMIR system. As a result, business mailers and the Postal Service are unaware of mail processing issues and the subsequent non-delivery of the mail. This adversely affects Postal Service customers, harms the brand, and can cause mailers to use competitors and the Postal Service to lose revenue.

What the OIG Recommended

We recommended management develop standard operating procedures for handling and supervising UBBM to achieve a zero error rate and develop standard operating procedures and supervision requirements to ensure the eMIR system is routinely used to identify all UBBM quality issues.

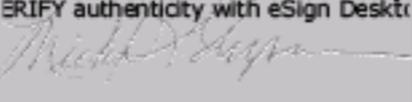
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

May 1, 2017

MEMORANDUM FOR: JEFF A. VIBBERT
SENIOR PLANT MANAGER,
MARGARET L. SELLERS PROCESSING AND
DISTRIBUTION CENTER

E-Signed by Michael Thompson
VERIFY authenticity with eSign Desktop


FROM: Michael L. Thompson
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Undeliverable Bulk Business Mail at the
Margaret L. Sellers Processing and Distribution Center
(Report Number NO-AR-17-008)

This report presents the results of our audit of Undeliverable Bulk Business Mail at the Margaret L. Sellers Processing and Distribution Center (Project Number 17XG010NO000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Margaret B. McDavid, Director, Network Processing, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit and Response Management
Vice President, Network Operations
Vice President, Pacific Area Operations

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Findings

UBBM is mail the Postal Service cannot deliver because of an expired change of address; or an incorrect, incomplete, or illegible address.

Introduction

This report presents the results of our audit of the processing of Undeliverable Bulk Business Mail (UBBM)¹ at the Margaret L. Sellers Processing and Distribution Center (P&DC) in San Diego, CA (Project Number 17XG010NO000). This report responds to a request from U.S. Representative Scott Peters of the 52nd Congressional District of CA to review how employees at the Margaret L. Sellers P&DC process UBBM. Our objective was to determine if employees at the P&DC process UBBM in accordance with U.S. Postal Service policy. See [Appendix A](#) for additional information about this audit.

UBBM is mail the Postal Service cannot deliver because of an expired change of address; or an incorrect, incomplete, or illegible address. By agreement, the Postal Service does not return UBBM to the business mailer, but recycles it. UBBM includes mail types such as flyers, newsletters, circulars, advertisements, bulletins, and catalogs.

The Postal Service designed its Electronic Mail Improvement Reporting (eMIR) system to report mail quality issues such as UBBM and improve customer service for the mailer and the Postal Service. Use of the eMIR system should help reduce mailer production and postage costs while reducing the Postal Service's handling costs. The eMIR system reports go to the Business Service Network² or the business mail entry unit³ at the processing facility for resolution of reported mail quality issues for the mailer and the Postal Service.

From fiscal year (FY) 2014 to February 8, 2017, Postal Service personnel reported almost 86,000 mail quality issues in the eMIR system nationally and coded about 31,000, or 36 percent, as resolved.

Summary

UBBM at the Margaret L. Sellers P&DC was not processed in accordance with Postal Service policy. We found that employees were not checking UBBM for mailpieces that could be processed before it was sent for recycling because there were no standard operating procedures (SOP) or supervision for handling UBBM. As a result, mail that should have been processed and delivered was recycled.

During our unannounced site visit in January 2017, we counted almost 2,600 pieces of mail identified as UBBM and found that 176 pieces, or 6.8 percent, should have been subsequently processed and delivered instead of recycled. The first day we found 162 of 1,610 mailpieces, or about 10 percent, that were deliverable. There were two pieces of First-Class Mail and the remaining 160 mailpieces were periodicals and Marketing Mail. The remaining 90 percent of the UBBM should have been recycled. However, they did not use the eMIR system to identify for the business mailers and the Postal Service the cause(s) of the UBBM being recycled. The primary cause we identified was missing address labels.

During our site visit, management discussed with employees the importance of checking UBBM containers for mail they could process rather than recycle. As a result, the amount of UBBM that should have been processed and delivered instead of recycled decreased during the last three days of our observation to about 1.4 percent, but not to zero. There is additional opportunity to

-
- 1 Bulk business mail is a general term often used to describe presorted mail, especially Marketing Mail mailings, that requires Postal Service verification of preparation and minimum. Marketing Mail consists of mailable matter that is neither mailed nor required to be mailed as First-Class Mail and that is not authorized to be mailed as Periodicals mail (unless permitted or required by Standard) and that weighs less than 16 ounces.
 - 2 A nationwide group of trained specialists that supports the largest number of postal customers and serves as a single point of contact for resolving service issues, providing information, and handling requests.
 - 3 The area of a postal facility where mailers present bulk, presorted, and permit mail for acceptance.

P&DC personnel were not checking UBBM that was generated from the automated flat sorting machines for mailpieces they could process before sending it for recycling.

improve the UBBM error rate to zero by establishing standard operating procedures and supervision requirements for handling UBBM.

We also found that employees at the Margaret L. Sellers P&DC were not entering mail processing issues into the eMIR system. In the last three fiscal years, employees entered only 10 issues into the eMIR system (none about UBBM) and entered no issues in FY 2017 through February 8, 2017.

There is no SOP or supervision to ensure that employees routinely enter mail processing quality issues into the eMIR system. As a result, business mailers and the Postal Service are unaware of mail processing issues and the subsequent non-delivery of the mail. This adversely affects Postal Service customers, harms the brand, and can cause mailers to use competitors and the Postal Service to lose revenue.

Processing Undeliverable Bulk Business Mail

P&DC personnel were not checking UBBM that was generated from the automated flat sorting machines⁴ for mailpieces they could process before sending it for recycling. During our site visit from January 9 to January 12, 2017, we counted UBBM daily and found 176 mailpieces, or 6.8 percent, that should have been subsequently processed and delivered instead of recycled (see Table 1).

Table 1. Undeliverable Bulk Business Mail Observed

 Date	 UBBM Observed	 Deliverable Pieces	 % Deliverable Pieces
January 9, 2017	1,610	162	10.06%
January 10, 2017	230	4	1.74%
January 11, 2017	345	0	0.00%
January 12, 2017	403	10	2.48%
Total	2,588	176	6.80%

Source: U.S. Postal Service Office of Inspector General (OIG) observations.

⁴ Fully automated machines that processes flatsize mail. The machines receive mail via automatic feeders, acquire images of script and typed mail for video encoding, and process mail using optical character recognition technology. Their design includes a tray take-away conveyor with adaptability for robotic handling or Tray Management System induction.

On the first day of our unannounced site visit, we found the largest number of deliverable mailpieces. Specifically, we found 162 deliverable pieces out of 1,610 total mailpieces, or 10.06 percent. Two of the 162 deliverable mailpieces were First-Class Mail and the remaining 160 deliverable mailpieces were periodicals and Marketing Mail. P&DC personnel were not using the eMIR system to identify the reasons for recycling UBBM for the business mailers and the Postal Service. The primary cause we identified for the UBBM was missing address labels. See Figure 1 for an example of deliverable mail mixed with UBBM that we observed during our site visit.

We also found that the eMIR system was not being used at the Margaret L. Sellers P&DC to enter mail processing issues.

Figure 1. Deliverable Mail Mixed with UBBM



Source: OIG photograph taken January 9, 2017, 4:31 p.m.

During our site visit, we interviewed P&DC management and employees who stated there were no SOP or formal training in place for processing UBBM. After the first day of our site visit, management took corrective action and discussed with employees the importance of checking the UBBM containers for mail they could process rather than recycle. As a result, the amount of UBBM that should have been processed and delivered instead of recycled decreased over the last three days of our observations to 1.43 percent.⁵ There is additional opportunity to improve the UBBM error rate to zero by establishing an SOP for handling and supervising the handling of UBBM.

Use of the Electronic Mail Improvement Reporting System

We also found that the eMIR system was not being used at the Margaret L. Sellers P&DC to enter mail processing issues. The Postal Service uses the eMIR system to report mail quality issues, recurring problems such as UBBM, and improve customer service. In the last three fiscal years, P&DC personnel entered only 10 issues into the eMIR system, none of which were about UBBM. The P&DC staff did not enter any eMIR system issues in FY 2017 as of February 8, 2017.

⁵ Fourteen deliverable pieces observed divided by 978 total pieces of UBBM observed.

The P&DC did not have an SOP in place or provide supervision to ensure that employees routinely entered mail processing quality issues into the eMIR system. As a result, business mailers and the Postal Service are unaware of mail processing issues and the subsequent non-delivery of mail. This adversely affects Postal Service customers, harms the brand, and can cause mailers to use competitors or the Postal Service to lose revenue. We estimate about \$1.1 million of Postal Service revenue is at risk due to the Margaret L. Sellers P&DC not processing UBBM in accordance with Postal Service policy and not routinely identifying mail quality issues using the eMIR system.

Recommendations

We recommend management develop an SOP for handling and supervising UBBM and ensure the eMIR system is routinely used to identify all UBBM quality issues

We recommend the senior plant manager, Margaret L. Sellers Processing and Distribution Center:

1. Develop a standard operating procedure for handling and supervising Undeliverable Bulk Business Mail to achieve a zero error rate.
2. Develop standard operating procedures and supervision requirements to ensure the Electronic Mail Improvement Reporting System is routinely used to identify all Undeliverable Bulk Business Mail quality issues.

Management's Comments

Management generally agreed with the findings and recommendations. However, they did not agree with all of our observations of the UBBM process. In addition, they did not agree to the "implied monetary impact" and stated they were not aware of the methodologies we used to determine the \$1.1 million revenue at risk amount as this was not part of the report.

Regarding recommendation 1, management stated that UBBM is placed in a staged container and each piece is reviewed and validated on a regular basis. Mailpieces with deliverable addressing is taken to a manual case for sortation. Management is developing a standard work instruction for UBBM identification and processing. The target implementation date is April 30, 2017.

Regarding recommendation 2, management agreed that the eMIR system is a useful tool and that it was not utilized to its fullest potential. Management plans to continue educating employees on the eMIR system. The target implementation date is April 30, 2017.

See [Appendix B](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report. Regarding management's disagreement with our observations of the UBBM process, we discussed them with management during our site visit and exit conference. Management agreed with our observations and conclusions during those discussions.

Although management refers to "implied monetary impact", our calculation of revenue at risk of \$1.1 million is considered "other impact". We used a risk-based assessment tool to estimate that 34.84 percent of the \$3.1 million in revenue associated with marketing mail, flats, and catalogs from November 2016 through January 2017 was at risk. While we did not specifically discuss the methodology at the exit conference, management did not disagree with the revenue at risk amount at that meeting.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

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Appendix A: Additional Information

Background

This report responds to a request from U.S. Representative Scott Peters of the 52nd Congressional district of CA to review how employees at the Margaret L. Sellers P&DC in San Diego, CA, process UBBM.

UBBM is mail the Postal Service cannot deliver because of an expired change of address; or an incorrect, incomplete, or illegible address. By agreement, the Postal Service does not return UBBM to the business mailer, but recycles it. UBBM includes such mail types as flyers, newsletters, circulars, advertisements, bulletins, and catalogs.

The Postal Service designed its eMIR system to allow employees to report mail quality issues such as UBBM, and improve customer service for the mailer and the Postal Service. Using the eMIR system should help reduce mailer production and postage costs while reducing the Postal Service's handling costs. The eMIR system reports go to the Business Service Network or the business mail entry unit at the processing facility for resolution of reported mail quality issues for the mailer and the Postal Service.

From FY 2014 to February 8, 2017, Postal Service personnel reported almost 86,000 mail quality issues in the eMIR system nationally and coded about 31,000, or 36 percent, as resolved.

Objective, Scope, and Methodology

Our objective was to determine if employees at the Margaret L. Sellers P&DC are processing UBBM in accordance with Postal Service policy.

To accomplish our objective, we:

- Visited the facility, conducted interviews, and observed UBBM operations from January 9 to January 12, 2017.
- Interviewed P&DC employees including the manager, in-plant support, who was acting on behalf of the senior plant manager; and managers, supervisors, and employees in mail processing operations.
- Evaluated eMIR system data from FY 2014 to February 8, 2017.
- Determined and evaluated the P&DC's strategy for processing UBBM.
- Reviewed and evaluated existing Postal Service policies for processing UBBM and entering mail quality issues into the eMIR system.

We conducted this performance audit from January through May 2017, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on April 3, 2017, and included their comments where appropriate.

We used computer-processed data from the Postal Service's Enterprise Data Warehouse and the eMIR system when performing our analysis. We assessed the reliability of computer-generated data by interviewing knowledgeable agency officials and reviewing related documentation. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Electronic Mail Improvement Reporting – Workshare Mail Quality</i>	Determine whether Eastern Area personnel are fully using the eMIR system to report mail quality issues and recover costs associated with irregularities in workshare mail preparation.	CP-AR-16-001	12/8/2015	None

Appendix B: Management's Comments

SENIOR PLANT MANAGER
MARGARET L. SELLERS PROCESSING & DISTRIBUTION CENTER



April 21, 2017

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Undeliverable Bulk Business Mail at the Margaret L. Sellers Processing and Distribution Center - Report Number NO-AR-17-DRAFT

Recommendations:

1. Develop a standard operating procedure for handling and supervising Undeliverable Bulk Business Mail to achieve a zero error rate.
2. Develop standard operating procedures and supervision requirements to ensure the Electronic Mail Improvement Reporting System is routinely used to identify all Undeliverable Bulk Business Mail quality issues.

Management Response/Action Plan:

Processing Undeliverable Bulk Business Mail

1. We do not agree with every observation noted regarding the UBBM process. Through the USPS HQ Office of Sustainability, we have established a backhaul recycling program, where the delivery units we service send large volumes of UBBM daily to the Margaret L. Sellers PDC. In our facility, potential UBBM is generated during the mail preparation and sorting process, and placed in a staged container for subsequent review. Each piece that is placed in the staged container is reviewed and validated on a regular basis. If the mailpiece is determined to be undeliverable, it is sent for recycling. Mailpieces with deliverable addressing is taken to a manual case for sortation. Our Action Plan includes developing a Standard Work Instruction for UBBM identification and processing.

Use of the Electronic Mail Improvement Reporting System

2. We agree that the eMIR application is a useful tool for communicating mail preparation variances to our customers. We also agree that the eMIR system was not utilized to fullest potential. We do not agree to the implied monetary impacts. We are not aware of the methodologies used to determine the \$1.1 million, as they were not part of the report. Our Action Plan is to continue educating employees on the purpose and use of the eMIR application.

Target Implementation Date:

Corrective actions will be completed on April 30, 2017.

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- 2 -

Responsible Official:

Responsible Official is Jeffery Vibbert, Senior Plant Manager, Margaret L Sellers PDC.



Jeffery A Vibbert
Senior Plant Manager
Margaret L Sellers PDC

cc: Larry J Belair, MOS Pacific Area
Lori Lau Dillard, Director Audit Operations
Marlene Wong, Corporate Audit Response Management



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